

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

*Ex Parte*: Establishing 2020 RPS Proceeding for  
Virginia Electric and Power Company

CASE NO. PUR-2020-00134

FINAL ORDER

During its 2020 Session, the Virginia General Assembly enacted Chapters 1193 (HB 1526) and 1194 (SB 851) of the 2020 Virginia Acts of Assembly. These duplicate Acts of Assembly, known as the Virginia Clean Economy Act ("VCEA"), became effective on July 1, 2020. The VCEA, *inter alia*, establishes a mandatory renewable energy portfolio standard program ("RPS Program") for Virginia Electric and Power Company ("Dominion" or "Company") in new § 56-585.5 of the Code of Virginia ("Code"). Subdivision D 4 of Code § 56-585.5 requires Dominion to submit annually to the State Corporation Commission ("Commission") a plan and petition for approval for the development of new solar and onshore wind generation capacity ("RPS Filing").<sup>1</sup>

On October 30, 2020, Dominion submitted its first RPS Filing to the Commission ("2020 RPS Filing" or "Petition"). The 2020 RPS Filing requests the Commission:

- (i) approve the Company's annual plan for the development of new solar, onshore wind, and energy storage resources ("RPS Development Plan");
- (ii) grant certificates of public convenience and necessity ("CPCNs") and approval to construct and operate three solar generating facilities ("CE-1 Solar Projects") totaling approximately 82 megawatts ("MW") pursuant to Code § 56-580 D and

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<sup>1</sup> By Order Establishing 2020 RPS Proceedings issued on July 10, 2020 ("RPS Filing Requirements Order"), the Commission docketed this proceeding and directed Dominion to include certain additional information in its first RPS Filing.

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the Commission's Filing Requirements in Support of Applications for Authority to Construct and Operate an Electric Generating Facility;<sup>2</sup>

- (iii) approve a rate adjustment clause ("RAC") to recover the costs of the CE-1 Solar Projects and related distribution and transmission interconnection facilities, designated Rider CE, pursuant to Code § 56-585.1 A 6 and the Commission's Rules Governing Utility Rate Applications and Annual Informational Filings;<sup>3</sup> and
- (iv) make a prudence determination for the Company to enter into six power purchase agreements ("PPAs") for the energy, capacity, ancillary services, and environmental attributes of approximately 416 MW of solar generating facilities owned by third parties pursuant to Code § 56-585.1:4 ("CE-1 Solar PPAs").

On November 10, 2020, the Commission issued an Order for Notice and Hearing ("Procedural Order") that, among other things: required the Company to publish notice of the Petition; gave interested persons the opportunity to comment on, or participate in, the proceeding; scheduled a public hearing for the purpose of receiving testimony and evidence on the Company's Petition; and directed the Commission Staff ("Staff") to investigate the Petition and file testimony and exhibits containing its findings and recommendations thereon.

Notices of participation were filed by Amazon Data Services, Inc. ("Amazon"); Appalachian Voices; Behind the Meter Solar Alliance ("BTM-SA"); Board of Supervisors of Culpeper County, Virginia ("Culpeper"); Direct Energy Business, LLC and Direct Energy Services, LLC (collectively, "Direct Energy"); Maryland-DC-Virginia Solar Energy Industries Association ("MDV SEIA"); Sierra Club; Virginia Advanced Energy Economy ("VAEE"); Virginia Committee for Fair Utility Rates ("Committee"); Walmart Inc. ("Walmart"); and the Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel").

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<sup>2</sup> 20 VAC 5-302-10 *et seq.*

<sup>3</sup> 20 VAC 5-201-10 *et seq.*

Testimony was submitted by Dominion, Appalachian Voices, BTM-SA, MDV SEIA, VAEE, Walmart, and Staff.<sup>4</sup>

In the Procedural Order, the Commission noted that Staff had requested the Department of Environmental Quality ("DEQ") to coordinate an environmental review of the proposed CE-1 Solar Projects. The DEQ filed a report ("DEQ Report") on January 20, 2021.<sup>5</sup> The DEQ Report summarizes the proposed CE-1 Solar Projects' potential impacts, makes recommendations for minimizing those impacts, and outlines the Company's responsibilities for compliance with certain legal requirements governing environmental protection.

On February 17, 2021, the Commission convened the evidentiary hearing on the Company's Petition.<sup>6</sup> The Commission received testimony and exhibits from Dominion, respondents, and Staff. The hearing concluded, after closing arguments, on February 23, 2021. On March 23, 2021, as directed at the close of the hearing, hearing participants submitted post-hearing filings for the Commission's consideration.

NOW THE COMMISSION, having considered this matter, is of the opinion and finds as follows.<sup>7</sup>

Through this Order, among other things, the Commission approves both the CE-1 Solar Projects and the CE-1 Solar PPAs, which combined represent 498 MW of new renewable

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<sup>4</sup> Direct Energy filed testimony but withdrew that testimony at the beginning of the evidentiary hearing. Tr. 23.

<sup>5</sup> Ex. 4 (DEQ Report).

<sup>6</sup> Staff and all parties except Culpeper and Amazon participated in the hearing. During the hearing, the Commission received the testimony of one public witness. Tr. 14-18. In addition, numerous public comments were filed in this matter.

<sup>7</sup> The Commission has fully considered the evidence and arguments in the record. *See also Board of Supervisors of Loudoun County v. State Corp. Comm'n*, 292 Va. 444, 454 n.10 (2016) ("We note that even in the absence of this representation by the Commission, pursuant to our governing standard of review, the Commission's decision comes to us with a presumption that it considered all of the evidence of record.") (citation omitted).

generation capacity in the Commonwealth.<sup>8</sup> The discussion below sets forth detailed analyses and findings on numerous contested issues raised in this proceeding. As always, the Commission is guided by the statute and the record. In doing so, we have exercised the Commission's delegated discretion in a manner that faithfully implements the VCEA requirements that include carbon reduction, while best protecting consumers who expect and deserve reliable and affordable service.

For purposes of this Final Order, the Commission will address *seriatim* the four main components of the Company's Petition: (i) the RPS Development Plan; (ii) the CE-1 Solar Projects; (iii) Rider CE; and (iv) the CE-1 Solar PPAs.<sup>9</sup>

(i) RPS Development Plan

*Code of Virginia*

Code § 56-585.5 D 4 provides:

4. In connection with the requirements of this subsection, each Phase I and Phase II Utility shall, commencing in 2020 and concluding in 2035, submit annually a plan and petition for approval for the development of new solar and onshore wind generation capacity. Such plan shall reflect, in the aggregate and over its duration, the requirements of subsection D concerning the allocation percentages for construction or purchase of such capacity. Such petition shall contain any request for approval to construct such facilities pursuant to subsection D of § 56-580 and a request for approval or update of a rate adjustment clause pursuant to subdivision A 6 of § 56-585.1 to recover the costs of such facilities. Such plan shall also include the utility's plan to meet the energy storage project targets of subsection E, including the goal of installing at least 10 percent of such energy storage projects behind the meter. In determining whether to approve the utility's

<sup>8</sup> Ex. 6 (Avram Direct) at 9.

<sup>9</sup> With respect to issues raised by participants not expressly addressed by the Commission herein, the Commission finds that resolution of such issues is not necessary to the Commission's decision in this proceeding, and the Commission hereby exercises its discretion not to address such for purposes of the instant order. In addition, as implementation of the VCEA continues, the Commission may initiate separate rulemaking proceedings to address distinct performance requirements.

plan and any associated petition requests, the Commission shall determine whether they are reasonable and prudent and shall give due consideration to (i) the RPS and carbon dioxide reduction requirements in this section, (ii) the promotion of new renewable generation and energy storage resources within the Commonwealth, and associated economic development, and (iii) fuel savings projected to be achieved by the plan. Notwithstanding any other provision of this title, the Commission's final order regarding any such petition and associated requests shall be entered by the Commission not more than six months after the date of the filing of such petition.

Participants raised several concerns with the Company's RPS Development Plan.<sup>10</sup>

Notwithstanding, the Commission finds that, for the limited purpose of filing its first annual plan under Code § 56-585.5 D 4, Dominion's plan is reasonable and prudent. Subsequent annual plans, however, must comply with (among other things) the additional requirements set forth herein.

As a preliminary matter, we disagree with Dominion's assertion that its compliance with the renewable energy certificate ("REC") retirement obligations of the RPS Program pursuant to Code § 56-585.5 C is irrelevant to the instant proceeding.<sup>11</sup> The Company states, for example, "the scope of this proceeding . . . is about meeting the development targets set forth in Va. Code § 56-585.5 D, not cost-effective compliance with the RPS Program set forth in Va. Code § 56-585.5 C."<sup>12</sup> The Company also states that this proceeding is "limited by the four corners of Code [§ 56-] 585.5 to the development plan and the associated requests."<sup>13</sup> Code § 56-585.5 D 4 specifically requires, however, the Commission to "give due consideration to (i) the RPS and

<sup>10</sup> See, e.g., Ex. 36 (Dalton) at 19; Ex. 19 (Jester) at 31; Ex. 22 (Eisen) at 24; Ex. 18 (Rábago) at 14, 19.

<sup>11</sup> Ex. 37 (Avram Rebuttal) at 5-6; Ex. 41 (Kelly Rebuttal) at 5-6.

<sup>12</sup> Ex. 41 (Kelly Rebuttal) at 5.

<sup>13</sup> Tr. 26.

carbon dioxide reduction requirements in this section . . . ." Dominion itself acknowledges that "the RPS Program is the primary driver of the need for significant new renewable energy generation."<sup>14</sup> The Commission finds that in order to give due consideration to the RPS and carbon dioxide reduction requirements in Code § 56-585.5 when evaluating subsequent plans and associated petition requests, such future annual filings shall analyze how Dominion's plan and petition requests address and implement the RPS and carbon dioxide reduction requirements in Code § 56-585.5, including but not necessarily limited to Code § 56-585.5 C.

The Commission further finds that in order to evaluate subsequent plans and associated petition requests, such future annual filings shall include at a minimum:

- a least cost VCEA plan that meets (i) applicable carbon regulations<sup>15</sup> and (ii) the mandatory RPS Program requirements of the VCEA;<sup>16</sup>
- evaluation of RECs from all sources (with both high and low-price sensitivities), including utility-owned, third-party PPAs, and unbundled REC purchases;<sup>17</sup>
- modeling of the solar capacity factor as required by the Commission's directives in the 2020 IRP proceeding;<sup>18</sup>
- distributed generation sensitivities for unbundled REC purchases through Requests for Proposals ("RFPs"), fixed price offers and over-the-counter purchases;<sup>19</sup>

<sup>14</sup> Ex. 2 (Petition) at Exhibit 2 (RPS Development Plan) at 1.

<sup>15</sup> Such modeling should include, but is not limited to, Virginia's participation in the Regional Greenhouse Gas Initiative ("RGGI").

<sup>16</sup> See Ex. 36 (Dalton) at 19; Ex. 19 (Jester) at 26-27; Ex. 18 (Rábago) at 17-18; Tr. 246, 342-343, 472-474. The Commission adopted the same least cost plan requirement, which was proposed by the Company, in the Company's most recent Integrated Resource Plan ("IRP") proceeding. See *Commonwealth of Virginia, ex rel. State Corporation Commission, In re: Virginia Electric and Power Company's Integrated Resource Plan filing pursuant to Va. Code § 56-597 et seq.*, Case No. PUR-2020-00035, Doc. Con. Cen. No. 210210007, Final Order at 13-14 (Feb. 1, 2021) ("2020 IRP Final Order").

<sup>17</sup> See, e.g., Ex. 18 (Rábago) at 9, 19-20.

<sup>18</sup> 2020 IRP Final Order at 12-13.

<sup>19</sup> See, e.g., Ex. 19 (Jester) at 33-35; Tr. 49-50, 200-202; 219-221.

- modeling of reliability impacts;<sup>20</sup>
- updated fundamental forecasts and commodity pricing that reflect the VCEA requirements;<sup>21</sup> and
- a detailed chart showing how Dominion has complied to date with the VCEA's RPS requirements.<sup>22</sup>

In addition to these minimum planning and modeling requirements for Dominion's subsequent RPS filings and associated petition requests, we direct Dominion to also file the following information in subsequent RPS filings.

RPS Compliance Certification. The Commission finds that this annual RPS proceeding is a reasonable and appropriate proceeding to consider the Company's annual certification of compliance with the RPS Program. Such certification will commence in the Company's 2022 RPS filing for calendar year 2021. The Commission directs Dominion to propose reporting metrics, and any needed protocols, associated with RPS Program certification in its 2021 RPS filing.<sup>23</sup>

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<sup>20</sup> Moreover, to the extent that Dominion concludes that the duck curve may impact reliability, such modeling and results should also be included. *See* Ex. 37 (Avram Rebuttal) at 24.

<sup>21</sup> *See, e.g.,* Ex. 18 (Rábago) at 12; Ex. 36 (Dalton) at 18. The Company agreed to update these forecasts in future proceedings. Tr. 140-142.

<sup>22</sup> The Commission has concluded that this additional information may provide relevant data points for our consideration of the requirements under Code § 56-585.5 D. To the extent the Commission has not required additional information recommended by parties or Staff, this does not represent a finding that such information is irrelevant, and the Commission will evaluate future RPS filings based on the evidentiary record developed in each proceeding.

<sup>23</sup> As with the prior voluntary RPS program, the Commission will continue to utilize the PJM-EIS Generation Attribute Tracking System ("PJM-GATS"). The Commission recently updated in PJM-GATS the business rules relating to the categories of eligible generation sources for Virginia-qualified RECs in 2021-2024 ("GATS Update"). On April 9, 2021, the Commission issued an Order for Comment with respect to the GATS Update. *See Commonwealth of Virginia, ex rel. State Corporation Commission, Ex Parte: In the matter of registering and retiring Virginia-eligible renewable energy certificates*, Case No. PUR-2021-00064, Doc. Con. Cen. No. 210410225, Order for Comment (Apr. 9, 2021).

Bill Analysis. In its RPS Filing Requirements Order, the Commission directed Dominion to file projected customer bill impact information through 2035 associated with its RPS Development Plan.<sup>24</sup> Separately, in the Company's 2020 IRP Final Order, the Commission directed the Company to provide customer bill impact information over the next ten years for the least cost VCEA plan, the Company's preferred plan, and any additional plans presented.<sup>25</sup> Dominion takes issue with the Commission requiring a bill analysis in both its IRP and RPS proceedings, and requests that the Company prospectively provide a bill analysis in either the IRP or the RPS proceeding, but not in both.<sup>26</sup>

The Commission finds the Company shall continue to file a bill analysis in both the IRP and RPS proceedings. To address Dominion's concerns and reduce potential confusion, we direct the Company to file a consolidated bill analysis that pertains to both the IRP and RPS proceedings, a subset of which would be RPS-related costs. Such consolidated bill analysis shall comply with the requirements set forth in the Commission's 2020 IRP Final Order, except as noted below.<sup>27</sup> Such consolidated bill analysis shall (i) include the same level of detail and public designation for RPS-related costs, consistent with what has been presented for RPS-related costs in this proceeding, and (ii) correspond to the Company's most recent IRP and RPS plans.<sup>28</sup>

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<sup>24</sup> See RPS Filing Requirements Order; Ex. 2 (Petition) at Exhibit 2 (RPS Development Plan) at Attachment 6.

<sup>25</sup> 2020 IRP Final Order at 15-16.

<sup>26</sup> See Ex. 47 (Trexler Rebuttal) at 2.

<sup>27</sup> 2020 IRP Final Order at 15-16. The Commission further finds that the consolidated bill analysis shall provide such information through 2035, rather than 10 years as set forth in the 2020 IRP Final Order.

<sup>28</sup> See Tr. 428-429. We further direct Staff and the Company to work together, as necessary, to develop the form and contents of the consolidated bill analysis. See Tr. 429.



Accelerated Renewable Buyer and Ring-Fenced Reporting Requirements. Code

§ 56-585.5 G 1 provides that "[t]o the extent that an accelerated renewable energy buyer contracts for the capacity of new solar or wind generation resources pursuant to this subsection, the aggregate amount of such nameplate capacity shall be offset from the utility's procurement requirements pursuant to subsection D." Further, Code § 56-585.5 G 1 also provides that "[a]ll RECs associated with contracts entered into by an accelerated renewable energy buyer with the utility, or a person other than the utility, for an RPS Program shall not be credited to the utility's compliance with its RPS requirements, and the calculation of the utility's RPS Program requirements shall not include the electric load covered by customers certified as accelerated renewable energy buyers." Accordingly, in future RPS filings, we direct the Company to provide information related to accelerated renewable energy buyers ("ARBs") as follows:

- For existing customers that potentially qualify as ARBs under Code § 56-585.5 G, provide (i) the total aggregate annual load for the prior calendar year associated with these customers; (ii) the total aggregate peak load for the prior calendar year associated with these customers; and (iii) the aggregate amount of energy, capacity, and RECs procured by such customers in the prior calendar year, to the extent known; and
- Identify all customers that have qualified as ARBs and provide (i) the total annual load for the prior calendar year associated with each customer, and cumulatively for all such customers; (ii) the total peak load for the prior calendar year associated with each customer, and cumulatively for all such customers; and (iii) the aggregate amount of energy, capacity, and RECs procured in the prior calendar year by each customer, and cumulatively for all such customers.<sup>29</sup>

Similarly, we further find that future RPS filings should include additional information regarding Dominion's solar and onshore wind facilities under contract with specific customers,

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<sup>29</sup> The Company may designate, as appropriate, confidential or extraordinarily sensitive information contained therein pursuant to the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.*

including ARBs, which were referred to as "ring-fenced" facilities in this proceeding.<sup>30</sup>

Specifically, the Company shall provide the following information related to ring-fenced facilities in future RPS filings: (i) the nameplate capacity; (ii) projected and actual annual capacity factors; (iii) levelized cost of energy in \$/megawatt-hours ("MWh"); (iv) whether each ring-fenced facility is contracted or expected to be contracted with an eligible ARB; (v) contracted prices in \$/MWh; (vi) the contract duration; (vii) whether each contract is a bundled sale of energy, capacity and environmental attributes, and ancillary services, or a subset of these elements; (viii) any price escalators in the contracts; and (ix) any performance guarantees in the contracts.<sup>31</sup>

Requests for Proposal. With respect to RFPs, the Company must comply with the specific requirements of Code § 56-585.5 D 3. The Commission also finds that, for purposes of our analyses under Code § 56-585.5 D 4, the complete results of RPS-related RFPs must continue to be included in annual plan filings.<sup>32</sup>

Low-Income Qualifying Projects. Code § 56-585.5 C requires, if available, a certain amount of Dominion's RPS Program requirements to be satisfied by "low-income qualifying projects." Low-income qualifying projects are defined under Code § 56-585.5 A as "a project that provides a minimum of 50 percent of the respective electric output to low-income utility customers as that term is defined in § 56-576." In our RPS Filing Requirements Order, we directed Dominion to file information related to low-income qualifying projects. BTM-SA and

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<sup>30</sup> See Ex. 36 (Dalton) at 16-17, 40-41; Ex. 35; Tr. 475-478.

<sup>31</sup> See Ex. 36 (Dalton) at 16-17, 40-41. As noted above, the Company may designate, as appropriate, confidential or extraordinarily sensitive information contained therein pursuant to the Commission's Rules of Practice and Procedure, 5 VAC 5-20-10 *et seq.*

<sup>32</sup> See, e.g., Ex. 11 (McMillan Direct) at Schedule 1.

Staff raised concerns regarding Dominion's responses and requested the Commission defer making determinations regarding this topic pending further evaluation.<sup>33</sup> We agree this issue would benefit from further development through a stakeholder process. Dominion did not oppose further consideration of these issues in a stakeholder process.<sup>34</sup> We direct Dominion to utilize a reasonable stakeholder process to further address the questions set forth in the Commission's RPS Filing Requirements Order related to low-income qualifying projects and such related issues as needed.<sup>35</sup> Dominion shall report on its progress toward satisfying the low-income qualifying project requirements in the RPS Program in its 2021 RPS filing.

IRP and RPS filing consolidation. The Commission requested that the parties address whether to consolidate the Company's filing of its IRP and IRP updates with the annual RPS filing in a post-hearing filing. At this time, the Commission will not direct any consolidation or synchronization of these filings; however, we may revisit this decision at a later time as additional experience is gained with the annual RPS filings. We do find, however, that, to a certain extent, the Company's modeling inputs and assumptions should be consistent for purposes of the IRP and RPS proceedings. We therefore direct the Company to explain the reason behind any deviations in the assumptions and modeling used in the two proceedings.

(ii) CE-1 Solar Projects

*Code of Virginia*

In addition to the Code language quoted above, Code § 56-585.5 D 2 states that:

By December 31, 2035, each Phase II Utility shall petition the Commission for necessary approvals to (i) construct, acquire, or

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<sup>33</sup> Ex. 5 (Barnes) at 13-15; Ex. 30 (Abbott) at 42-47.

<sup>34</sup> Ex. 44 (Frost Rebuttal) at 4-5.

<sup>35</sup> Dominion shall confer with Staff in identifying appropriate stakeholders to participate in the stakeholder process.

enter into agreements to purchase the energy, capacity, and environmental attributes of 16,100 megawatts of generating capacity located in the Commonwealth using energy derived from sunlight or onshore wind, which shall include 1,100 megawatts of solar generation of a nameplate capacity not to exceed three megawatts per individual project and 35 percent of such generating capacity procured shall be from the purchase of energy, capacity, and environmental attributes from solar facilities owned by persons other than a utility, including utility affiliates and deregulated affiliates and (ii) pursuant to § 56-585.1:11, construct or purchase one or more offshore wind generation facilities located off the Commonwealth's Atlantic shoreline or in federal waters and interconnected directly into the Commonwealth with an aggregate capacity of up to 5,200 megawatts. At least 200 megawatts of the 16,100 megawatts shall be placed on previously developed project sites.

Code § 56-580 D provides in part:

The Commission shall permit the construction and operation of electrical generating facilities in Virginia upon a finding that such generating facility and associated facilities (i) will have no material adverse effect upon reliability of electric service provided by any regulated public utility, (ii) are required by the public convenience and necessity, if a petition for such permit is filed after July 1, 2007, and if they are to be constructed and operated by any regulated utility whose rates are regulated pursuant to § 56-585.1, and (iii) are not otherwise contrary to the public interest.

Further, regarding generating facilities, Code § 56-580 D directs that "the Commission shall give consideration to the effect of the facility and associated facilities on the environment and establish such conditions as may be desirable or necessary to minimize adverse environmental impact as provided in § 56-46.1 . . . ."

Code § 56-46.1 A provides in part:

Whenever the Commission is required to approve the construction of any electrical utility facility, it shall give consideration to the effect of that facility on the environment and establish such conditions as may be desirable or necessary to minimize adverse environmental impact . . . . In every proceeding under this subsection, the Commission shall receive and give consideration to all reports that relate to the proposed facility by state agencies concerned with environmental protection; and if requested by any

county or municipality in which the facility is proposed to be built, to local comprehensive plans that have been adopted pursuant to Article 3 (§ 15.2-2223 et seq.) of Chapter 22 of Title 15.2.

Code § 56-46.1 A also provides:

In order to avoid duplication of governmental activities, any valid permit or approval required for an electric generating plant and associated facilities issued or granted by a federal, state or local governmental entity charged by law with responsibility for issuing permits or approvals regulating environmental impact and mitigation of adverse environmental impact or for other specific public interest issues such as building codes, transportation plans, and public safety, whether such permit or approval is granted prior to or after the Commission's decision, shall be deemed to satisfy the requirements of this section with respect to all matters that (i) are governed by the permit or approval or (ii) are within the authority of, and were considered by, the governmental entity in issuing such permit or approval, and the Commission shall impose no additional conditions with respect to such matters.

Code § 56-580 D contains language that is nearly identical to the language set forth in Code § 56-46.1 A.

Code § 56-46.1 A also directs the Commission to consider the effect of a proposed facility on economic development in Virginia, stating in part:

Additionally, the Commission (a) shall consider the effect of the proposed facility on economic development within the Commonwealth, including but not limited to furtherance of the economic and job creation objectives of the Commonwealth Energy Policy set forth in §§ 67-101 and 67-102, and (b) shall consider any improvements in service reliability that may result from the construction of such facility.

Similarly, Code § 56-596 A provides that "[i]n all relevant proceedings pursuant to [the Virginia Electric Utility Regulation] Act, the Commission shall take into consideration, among other things, the goal of economic development in the Commonwealth."

Code § 56.585.1 A 6 provides in part that (emphases added):

In any application to construct a new generating facility, the utility shall include, and the Commission shall consider, the social cost of carbon, as determined by the Commission, as a benefit or cost, whichever is appropriate. The Commission shall ensure that the development of new, or expansion of existing, energy resources or facilities does not have a disproportionate adverse impact on historically economically disadvantaged communities . . . .<sup>36</sup>

The construction or purchase by a utility of one or more generation facilities with at least one megawatt of generating capacity, and with an aggregate rated capacity that does not exceed 16,100 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate capacity of 100 megawatts, that use energy derived from sunlight or from onshore wind and are located in the Commonwealth or off the Commonwealth's Atlantic shoreline, regardless of whether any of such facilities are located within or without the utility's service territory, *is in the public interest*, and in determining whether to approve such facility, the Commission shall liberally construe the provisions of this title . . . .

Notwithstanding any provision of Chapter 296 of the Acts of Assembly of 2018, construction, purchasing, or leasing activities for a new utility-owned and utility-operated generating facility or facilities utilizing energy derived from sunlight or from onshore wind with an aggregate capacity of 16,100 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate capacity of 100 megawatts, together with a utility-owned and utility-operated generating facility or facilities utilizing energy derived from offshore wind with an aggregate capacity of not more than 3,000 megawatts, are *in the public interest* . . . .<sup>37</sup>

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<sup>36</sup> Code § 56-585.1 A 6 further provides that:

The Commission may adopt any rules it deems necessary to determine the social cost of carbon and shall use the best available science and technology, including the Technical Support Document: Technical Update of the Social Cost of Carbon for Regulatory Impact Analysis Under Executive Order 12866, published by the Interagency Working Group on Social Cost of Greenhouse Gases from the United States Government in August 2016, as guidance. The Commission shall include a system to adjust the costs established in this section with inflation.

<sup>37</sup> Code § 56-585.1:1 also declares "one or more generation facilities with at least one megawatt of generating capacity, and with an aggregate rated capacity that does not exceed 5,000 megawatts, including rooftop solar installations with a capacity of not less than 50 kilowatts, and with an aggregate capacity of 50 megawatts, that use energy derived from sunlight or from wind and are located in the Commonwealth or off the Commonwealth's

Finally, Code § 56.585.1 D states that (emphasis added):

The Commission may determine, during any proceeding authorized or required by this section, the *reasonableness or prudence of any cost incurred or projected to be incurred*, by a utility in connection with the subject of the proceeding. A determination of the Commission regarding the reasonableness or prudence of any such cost shall be consistent with the Commission's authority to determine the reasonableness or prudence of costs in proceedings pursuant to the provisions of Chapter 10 (§ 56-232 et seq.). In determining the reasonableness or prudence of a utility providing energy and capacity to its customers from renewable energy resources, the Commission shall consider the extent to which such renewable energy resources, whether utility-owned or by contract, further the objectives of the Commonwealth Energy Policy set forth in §§ 67-101 and 67-102, and shall also consider whether the costs of such resources is likely to result in unreasonable increases in rates paid by customers.

#### *CPCNs*

The Company seeks CPCNs and approval to construct and operate the CE-1 Solar Projects, which consist of three solar generating facilities: (i) the approximately 20 MW (nominal alternating current ("AC")) Grassfield Solar Project located in the City of Chesapeake ("Grassfield"); (ii) the approximately 20 MW (AC) Norge Solar Project located in James City County ("Norge"); and (iii) the approximately 42 MW (AC) Sycamore Solar Project located in Pittsylvania County ("Sycamore").<sup>38</sup> As proposed, the CE-1 Solar Projects would be composed of ground-mounted, single-axis tracking solar panel arrays with an expected operating life of 35 years.<sup>39</sup> The Company states the Grassfield solar facility is expected to be in-service by

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Atlantic shoreline, regardless of whether any of such facilities are located within or without such utility's service territory, is *in the public interest*, and in determining whether to approve such facility, the Commission shall liberally construe the provisions of this section." Emphasis added.

<sup>38</sup> Ex. 2 (Petition) at 8.

<sup>39</sup> *Id.* at 9.

December 2021, and the Norge and Sycamore solar facilities are expected to be in-service by late 2022.<sup>40</sup>

Based on the record established herein and discussed further below, the Commission finds the CE-1 Solar Projects meet all of the legal requirements for approval.<sup>41</sup> We further note that no party has opposed approval of the CE-1 Solar Projects.<sup>42</sup>

*a. Reliability*

Code § 56-580 D sets forth three criteria for granting a CPCN. The first criterion is that the projects have "no material adverse effect upon reliability of electric service provided by any regulated public utility." The record in this case includes no evidence that the CE-1 Solar Projects would have a material adverse effect upon reliability. Notwithstanding, Staff recommends that the CPCN for the Norge solar facility be subject to obtaining and filing an executed Small Generation Interconnection Agreement ("SGIA") indicating no unaddressed adverse impact on system reliability.<sup>43</sup> We agree and find that the CE-1 Solar Projects will have no material adverse effect upon reliability of electric service, subject to the Company filing a copy of the SGIA for the Norge solar facility in this docket once received.

*b. Public Convenience and Necessity*

The second enumerated criterion in Code § 56-580 D is that a project is "required by the public convenience and necessity." As we have previously found, this term includes, among

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<sup>40</sup> *Id.*

<sup>41</sup> We find that interconnection facilities for the CE-1 Solar Projects are ordinary extensions or improvements that do not require a CPCN. *See* Ex. 3 (Joshapura) at 6-8; Ex. 37 (Avram Rebuttal) at 14.

<sup>42</sup> *See* Tr. 26. Though the Commission grants Dominion's request for CPCNs and for approval to construct and operate the CE-1 Solar Projects in this proceeding, subsequent petitions for the approval of specific resources will be reviewed on a case-by-case basis and must comply with all additional requirements set forth herein.

<sup>43</sup> Ex. 3 (Joshapura) at 5-6. The Company did not oppose this recommendation. Ex. 37 (Avram Rebuttal) at 15.



other criteria, both an evaluation of the need for the project as well as the reasonableness of the cost.<sup>44</sup>

### 1) Need

The Company asserts that the CE-1 Solar Projects are needed to comply with the VCEA, to serve customers' capacity and energy needs, and to comply with carbon regulations.<sup>45</sup> Based on the record established herein, we agree that the CE-Solar Projects are needed to comply with the VCEA, to serve customers' capacity and energy needs, and to comply with carbon regulations.<sup>46</sup>

Among other things, the VCEA establishes a mandatory RPS Program with which the Company must comply through the procurement and retirement of RECs commencing in 2021.<sup>47</sup> The record in this regard reflects, for example, that in 2030, Dominion forecasts it will have an estimated annual need for RECs exceeding 23,000 gigawatt-hours.<sup>48</sup> The CE-1 Solar Projects

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<sup>44</sup> See, e.g., *Petition of Virginia Electric and Power Company, For approval and certification of the proposed US-3 Solar Projects pursuant to §§ 56-580 D and 56-46.1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider US-3, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2018-00101, 2019 S.C.C. Ann. Rept. 239, 243, Order Granting Certificates (Jan. 24, 2019).

<sup>45</sup> Ex. 2 (Petition) at 8-9. Company witness Kelly further clarified that the CE-1 Solar Projects are needed "first, and probably most urgent[ly], [for RECs] to meet the RPS program under Subsection C [of Code § 56-585.5]." Company witness Kelly stated the CE-1 Solar Projects are also needed for capacity and energy to meet customer needs; to meet the development targets of Subsection D of Code § 56-585.5; to support generation diversity; to support compliance with carbon regulations; to support economic development and jobs in the Commonwealth; and to meet the Commonwealth's energy policy. Tr. 648-649. The Company noted that with the Commonwealth's participation in RGGI starting in 2021, renewable resources like solar will necessarily assume an important role in compliance with carbon emission reduction requirements. Ex. 9 (Kelly Direct) at 7-8; Ex. 41(Kelly Rebuttal) at 15.

<sup>46</sup> While no party objected to approving the CE-1 Solar Projects, several participants raised concerns regarding the Company's consideration of alternatives to the proposed projects, including the use of unbundled REC purchases to comply with the RPS. See, e.g., Ex. 18 (Rábago) at 19. As discussed herein, we direct the Company to perform additional evaluations that may be relevant to future resource proposals under Code § 56-585.5 D. Notwithstanding, however, we find the record sufficiently supports the need for the CE-1 Solar Projects to comply with the RPS Program.

<sup>47</sup> Code § 56-585.5 C.

<sup>48</sup> Ex. 9 (Kelly Direct) at 5. One REC is generated for each megawatt-hour of renewable energy generated. *Id.* at 4.

are expected to provide approximately 178 gigawatt-hours of energy production in the first full year of operation and will assist the Company in meeting its RPS Program requirements.<sup>49</sup>

The VCEA also directs the retirement of certain generating resources by December 31, 2024.<sup>50</sup> The Company anticipates retiring its Chesterfield Units 5 and 6 and Yorktown Unit 3 by 2023.<sup>51</sup> We find that the CE-1 Solar Projects will assist the Company in providing needed capacity and energy to its customers.<sup>52</sup>

Finally, the record shows that the CE-1 Solar Projects will assist the Company in complying with state carbon regulation, and support the Commonwealth's participation in RGGI.<sup>53</sup> We agree with the Company that "[r]enewable energy resources like solar generation will necessarily assume an important role in compliance with carbon emission reduction requirements."<sup>54</sup>

In sum, taking the record as a whole, we find that the CE-1 Solar Projects are needed.

## 2) Cost

According to the Company, the total estimated costs for the CE-1 Solar Projects are approximately \$168.2 million, excluding financing costs, or approximately \$2,051 per kilowatt of capacity at the total 82 MW (nominal AC) rating.<sup>55</sup> The Company selected the CE-1 Solar

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<sup>49</sup> *Id.* at 5.

<sup>50</sup> Code § 56-585.5 B 1.

<sup>51</sup> Ex. 9 (Kelly Direct) at 6; Tr. 674. These units have a total capacity of approximately 1,800 MW. Tr. 674. The Company anticipates having a comparable capacity deficit beginning in 2023. See Ex. 9 (Kelly Direct) at 6.

<sup>52</sup> See, e.g., Ex. 9 (Kelly Direct) at 5-7; Tr. 648-649.

<sup>53</sup> Ex. 9 (Kelly Direct) at 7-8; Ex. 14 (Ericson Direct) at 3-5; Regulation for Emissions Trading Programs, 9 VAC 5-140-6010 *et seq.*

<sup>54</sup> Ex. 14 (Ericson Direct) at 5.

<sup>55</sup> Ex. 6 (Avram Direct) at 18.

Projects from a 2019 RFP ("2019 Solar-Wind RFP") for additional utility-scale solar and onshore wind generating facilities in Virginia.<sup>56</sup> The record reflects that the Company received a total of 40 proposals for 37 separate solar facilities totaling approximately 3,022 MW and one onshore wind facility totaling approximately 176 MW.<sup>57</sup>

The Company conducted economic modeling of the CE-1 Solar Projects using assumptions consistent with those used in the Company's 2020 IRP.<sup>58</sup> MDV SEIA and Staff criticized the economic modeling supporting the proposed CE-1 Solar Projects.<sup>59</sup> For example, Staff argued that modeling inputs for the commodity price forecasts were outdated and did not include the impacts of the VCEA.<sup>60</sup> Appalachian Voices and Staff also pointed out that the Commission recently determined that it could not find the Company's 2020 IRP to be reasonable and in the public interest for purposes of a planning document.<sup>61</sup> The Company maintained, however, that its economic analysis is valid and that using updated assumptions would continue to show solar to be the preferred option to address the Company's needs discussed above.<sup>62</sup> We find, based on the record established herein, including the statutory requirements of the VCEA, that the costs of the proposed CE-1 Solar Facilities are reasonable and prudent at the projected

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<sup>56</sup> *Id.* at 10-11; Ex. 11 (McMillan Direct) at 2, Schedule 1.

<sup>57</sup> Ex. 11 (McMillan Direct) at 5.

<sup>58</sup> Ex. 9 (Kelly Direct) at 10.

<sup>59</sup> *See, e.g.*, Ex. 19 (Jester) at 21-26; Ex. 36 (Dalton) at 17-18.

<sup>60</sup> Ex. 36 (Dalton) at 18.

<sup>61</sup> Tr. 36, 305. *See* 2020 IRP Final Order at 5.

<sup>62</sup> Tr. 141, 647.

cost of \$168.2 million. As agreed by the Company, updated modeling assumptions should be used in future requests for approval of additional resources.<sup>63</sup>

Finally, Staff proposed a performance guarantee for the CE-1 Solar Projects, similar to that required in prior solar CPCN requests.<sup>64</sup> As discussed above, however, the instant CPCN requests have been filed under a new statutory scheme established by the VCEA, and the Commission has found that these projects are needed thereunder. Although not requiring a performance guarantee, we find that the Company, in future requests for approval of Company-owned solar facilities, shall model the projected solar capacity factor in the economic analysis using the actual capacity performance of Dominion's solar tracking fleet in Virginia based on an average of the most recent three-year period. The Company shall also model the projected capacity factor based on the engineering design, as a sensitivity.

*c. Public Interest*

The third enumerated criterion in Code § 56-580 D is that a project is "not otherwise contrary to the public interest." We note that no party objected to the CE-1 Solar Projects as contrary to the public interest, and the Commission finds that this criterion is similarly satisfied based on our other findings herein.

*d. Social Cost of Carbon*

Code § 56-585.1 A 6 directs that "[i]n any application to construct a new generating facility, the utility shall include, and the Commission shall consider, the social cost of carbon, as determined by the Commission, as a benefit or cost, whichever is appropriate." Of note, the Petition contains limited analysis of the social cost of carbon. For example, the Company states

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<sup>63</sup> Tr. 142.

<sup>64</sup> See, e.g., Ex. 30 (Abbott) at 24-31.

it used a market-driven carbon price as a proxy for the social cost of carbon in its economic analysis.<sup>65</sup> While Appalachian Voices, MDV SEIA and Staff criticized the Company's calculation of the social cost of carbon benefit,<sup>66</sup> no one argued that the CE-1 Solar Projects represent a carbon cost. Furthermore, the record clearly establishes that the CE-1 Solar Projects do not produce carbon; this is a benefit. As such, the record developed herein supports a finding that the CE-1 Solar Projects result in a social cost of carbon benefit.

Based on the record developed herein, we are not able to quantify the social cost of carbon benefit. However, because it is an additional benefit of the CE-1 Solar Projects, we do not find the inability to quantify this additional benefit to require denial of the Petition.

*e. Environmental Impact*

The Code directs that the Commission "shall give consideration to the effect of [a] facility on the environment and establish such conditions as may be desirable or necessary to minimize adverse environmental impact."<sup>67</sup>

As noted above, DEQ coordinated an environmental review of the proposed CE-1 Solar Projects and submitted a DEQ Report that, among other things, set forth specific recommendations. The DEQ Report contains the following summary of recommendations:

- Follow DEQ's general recommendations concerning potential surface water impacts;
- Minimize emissions during construction, especially during periods of high ozone;

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<sup>65</sup> Ex. 9 (Kelly Direct) at 13.

<sup>66</sup> Ex. 18 (Rábago) at 23-24; Ex. 19 (Jester) at 21-24; Ex. 30 (Abbott) at 31-34.

<sup>67</sup> Code § 56-46.1 A. *See also* Code § 56-580 D (stating that "the Commission shall give consideration to the effect of the facility and associated facilities on the environment and establish such conditions as may be desirable or necessary to minimize adverse environmental impact as provided in § 56-46.1, . . .").

- Reduce solid waste at the source, reuse it and recycle it to the maximum extent practicable, as applicable;
- Coordinate with the Department of Conservation and Recreation's ("DCR") Division of Natural Heritage ("DCR-DNH") to minimize habitat fragmentation, develop an invasive species management plan, and obtain an update on natural heritage information;
- Coordinate with the Department of Wildlife Resources ("DWR") regarding its recommendations related to tree removal and bat protection and solar facility design and operational guidance;
- Coordinate with the Department of Historic Resources regarding its recommendation to implement the approved mitigation plans for the Norge and Sycamore sites;
- Coordinate with the appropriate Virginia Department of Transportation Residency office to devise an appropriate work zone plan to insure the safe and efficient travel of vehicles during the construction phase of the projects;
- Coordinate with the Department of Health ("VDH") regarding its recommendations to protect public drinking water sources and water utility infrastructure;
- Coordinate with the Virginia Outdoors Foundation if the project area changes or the project does not start for 24 months;
- Follow the principles and practices of pollution prevention to the maximum extent practicable; and
- Limit the use of pesticides and herbicides to the extent practicable.<sup>68</sup>

Dominion expressed concern with respect to certain recommendations of DCR, DWR and VDH. First, the Company states that DCR's recommendation that Dominion develop an invasive species management plan for each of the CE-1 Solar Projects is unnecessary because there is no reason to believe that development of solar facilities will result in the introduction of invasive species to the project sites and the Company's existing vegetation management plans

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<sup>68</sup> Ex. 4 (DEQ Report) at 6-7.

can be expected to limit unchecked proliferation of nuisance vegetation.<sup>69</sup> We agree that the Company should not be required to develop and implement an invasive species management plan specific to the CE-1 Solar Project sites that is different from the Company's existing comprehensive integrated vegetation management plan for controlling vegetation, including invasive species, throughout the Company's service territory.

Although not included in the DEQ Report's summary of recommendations, the Company also takes issue with DCR's recommendation to plant Virginia native pollinator plant species that bloom throughout the spring and summer.<sup>70</sup> The Company asserts that this recommendation is potentially costly, inappropriate without further study, and unnecessary. The Company states that each site will be revegetated in a manner consistent with industry-accepted best practices and in accordance with the approved erosion and sediment control plan, and consistent with local requirements.<sup>71</sup> Based on the Company's representation that it will comply with any requirements adopted by localities addressing the planting of pollinators, we will not require the Company's compliance with this DCR recommendation.

With respect to DWR, Dominion represents that it will coordinate with DWR regarding its recommendations related to tree removal and bat protection.<sup>72</sup> We find Dominion's willingness to coordinate with DWR sufficient.

With respect to VDH, Dominion takes issue with the agency's recommended field marking of wells within 1,000 foot radius of the Norge and Sycamore sites, stating that the

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<sup>69</sup> See Ex. 45 (Ericson Rebuttal) at 5.

<sup>70</sup> *Id.* at 6-8.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 8-9.

recommendation would require the Company to access land not under its control and that such recommendation is unnecessarily duplicative of the requirement that impacts on public water distribution systems or sanitary sewage collection systems must be verified by the local utility.<sup>73</sup> We agree and will not require Dominion to field mark wells within 1,000 feet of the Norge and Sycamore sites.

Dominion also took issue with DCR-DNH's recommendation "to minimize edge in remaining fragments, retain natural corridors that allow movement between fragments and designing the intervening landscape to minimize its hostility to native wildlife" of the Norge and Sycamore solar facilities.<sup>74</sup> The Company requests the Commission reject this requirement as unnecessary because the Company has already made efforts to minimize fragmentation as practicable in siting and designing Norge and Sycamore.<sup>75</sup> The Company, however, does not claim that DCR-DNH's recommendation is unreasonable, and we find the Company should be required to comply therewith.

We therefore find that as a condition of the CPCNs granted herein, the Company should be required to comply with the recommendations in the DEQ Report and coordinate with DEQ to implement DEQ's recommendations, excepting the DCR and VDH recommendations discussed above. Finally, as a further condition to the CPCNs granted herein, the Company shall obtain all environmental permits and approvals that are necessary to construct and operate the CE-1 Solar Projects.

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<sup>73</sup> *Id.* at 9-10.

<sup>74</sup> Ex. 4 (DEQ Report) at 17; Ex. 45 (Ericson Rebuttal) at 2-3.

<sup>75</sup> See Ex. 45 (Ericson Rebuttal) at 3. The Company further states the Commission, at the Company's request, rejected a similar DCR recommendation in a previous proceeding. See *id.* at 3-5. *Application of Virginia Electric and Power Company, For approval and certification of electric transmission facilities: Lockridge 230 kV Line Loop and Lockridge Subsection*, Case No. PUR-2019-00215, Final Order at 6-7, 9-10 (Oct. 1, 2020).



*f. Economic Development*

As required by Code § 56-46.1 A, the Commission has "consider[ed] the effect of the proposed facility on economic development within the Commonwealth, including but not limited to furtherance of the economic and job creation objectives of the Commonwealth Energy Policy set forth in §§ 67-101 and 67-102."<sup>76</sup>

We find that based on the record in this proceeding the CE-1 Solar Projects would have a positive impact on economic development in Virginia in temporary jobs during construction, permanent jobs after the CE-1 Solar Projects are completed, ancillary goods and services related to the CE-1 Solar Projects, and expansion of the tax base in the counties where the CE-1 Solar Projects will be constructed and the Commonwealth.<sup>77</sup>

The Commission will consider relevant evidence regarding economic development impacts of a specific resource request on a case-by-case basis in the future proceeding in which the resource is requested.<sup>78</sup>

*g. Environmental Justice and Impact on Historically Economically Disadvantaged Communities*

As previously recognized by the Commission, the Commonwealth's policy on environmental justice is broad, including "the fair treatment and meaningful involvement of every person, regardless of race, color, national origin, income, faith, or disability, regarding the development, implementation, or enforcement of any environmental law, regulation, or policy."<sup>79</sup>

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<sup>76</sup> See also Code §§ 56-596 A and 56-585.5 D.

<sup>77</sup> See, e.g., Ex. 6 (Avram Direct) at 21-22; Tr. 112-113.

<sup>78</sup> We further find that, at this time, relevant evidence regarding economic development impacts associated with each annual RPS plan shall be considered on a case-by-case basis.

<sup>79</sup> Code § 2.2-234; See 2020 IRP Final Order at 14-15.

In addition, Code § 56-585.1 A 6 specifically directs that "[t]he Commission shall ensure that the development of new, or expansion of existing, energy resources or facilities does not have a disproportionate adverse impact on historically economically disadvantaged communities."

The record in this matter includes some limited information concerning environmental justice associated with the proposed CE-1 Solar Projects and the impact on historically economically disadvantaged communities. We have considered this evidence in approving the proposed CE-1 Solar Projects.<sup>80</sup> Nothing in the record indicates that the proposed facilities will have an adverse impact on environmental justice communities or historically economically disadvantaged communities. We further find, however, that Dominion should evaluate and rank the potential environmental justice impacts of different renewable options and include the results of its evaluation in its next RPS filing.<sup>81</sup>

(iii) Rider CE

The Company requests the approval of Rider CE for cost recovery associated with the CE-1 Solar Projects and related distribution and transmission interconnection facilities.<sup>82</sup> In response to concerns raised by Walmart, Staff proposed modifications to Rider CE, as well as modifications to the overall framework under which Dominion is proposing to recover costs of resources approved under the VCEA.<sup>83</sup> In rebuttal, Dominion stated general support for the Staff's proposed rate recovery design, with a minor refinement, and stated that the primary benefit of Staff's proposal is that costs and benefits would be aligned in a single rate mechanism,

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<sup>80</sup> Ex. 6 (Avram) at 22; Ex. 18 (Rábago) at 22-23; Ex. 30 (Abbott) at 34-41.

<sup>81</sup> See Ex. 30 (Abbott) at 38-39.

<sup>82</sup> Ex. 2 (Petition) at 1.

<sup>83</sup> See, e.g., Ex. 23 (Perry) at 10-12; Ex. 30 (Abbott) at 6-24.

making it "much simpler for all stakeholders to understand where the costs and benefits of RPS Program compliance reside."<sup>84</sup> In addition, the Company found that "Staff's approach may simplify annual true-ups across various rate mechanisms because it reduces the amount of costs and benefits transferred from one rate mechanism to another, all heard in different proceedings."<sup>85</sup> We agree and find generally that Staff's proposed framework, as refined by the Company, is reasonable and appropriate as applied to Dominion, recognizing that as the Commission gains more experience with the implementation of the VCEA, additional refinements and further modification may be needed.<sup>86</sup>

In adopting Staff's proposed framework, we further direct Dominion to track and report the following information for each of its RPS resources in future RPS proceedings, as well as in any rate proceeding that includes an RPS-related cost or benefit: (i) each associated cost, by type, by month, by general ledger account, by rate mechanism, and whether such cost is bypassable or non-bypassable; and (ii) each associated benefit, by type, by month, by general ledger account, by rate mechanism, and whether such revenue is bypassable or non-bypassable.<sup>87</sup>

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<sup>84</sup> Ex. 48 (Gaskill Rebuttal) at 8. The Company proposed a refinement to Staff's framework to include all costs related to procuring RECs in one RAC, Rider RPS, which Staff did not oppose. *See id.* at 9-11; Tr. 301-303.

<sup>85</sup> Ex. 48 (Gaskill Rebuttal) at 8.

<sup>86</sup> The Commission's decision herein is also consistent with and expands on its decisions in two recent solar proceedings wherein we directed that the capacity revenues associated with those resources should be credited through the RAC to customers on a dollar-for-dollar basis. *See Petition of Virginia Electric and Power Company, For approval and certification of the proposed US-4 Solar Project pursuant to §§ 56-580 D and 56-46.1 of the Code of Virginia, and for approval of a rate adjustment clause, designated Rider US-4, under § 56-585.1 A 6 of the Code of Virginia*, Case No. PUR-2019-00105, Doc. Con. Cen. No. 200120275, Order Granting Certificate at 13-14 (Jan. 22, 2020); *Petition of Virginia Electric and Power Company, For revision of rate adjustment clause: Rider US-3, Colonial Trail West and Spring Grove 1 Solar Projects, for the rate year commencing June 1, 2020*, Case No. PUR-2019-00104, Doc. Con. Cen. No. 200330085, Final Order at 4-5 (Mar. 20, 2020).

<sup>87</sup> *See* Ex. 33 (Carr) at 10-11.

Further, we have previously directed in our January 22, 2021 Order on Motion in this proceeding, "[t]o promote judicial economy and efficiency and case administration, the Commission finds that the issue of determining the benefits to be netted against costs charged to [competitive service provider ("CSP")] customers under Code § 56-585.5 F should be litigated and adjudicated in [Case No. PUR-2020-00164]." In addition, we found that:

Rider CE, as a [RAC] intended to recover costs incurred to comply with the VCEA, is required to be paid by all of Dominion's retail customers, including customers taking generation service from CSPs, unless otherwise exempt . . . . To the extent [Case No. PUR-2020-00164] results in a determination of additional benefits that should be allocated to CSP customers charged under Rider CE, recognition of those benefits will be addressed in a future Rider CE true-up as needed."

Thus, while we approve Staff's overall framework generally, we do not rule herein on whether there are additional benefits that should be allocated to CSP customers, which is to be litigated and adjudicated in Case No. PUR-2020-00164.

The Commission finds that Rider CE meets the statutory requirements for approval of a RAC under Code § 56-585.1 A 6. The only revenue requirement issue regarding Rider CE involved the appropriate jurisdictional and class cost allocation methodology to be applied to the energy revenues credited to customers through Rider CE.<sup>88</sup> The Commission herein approves a revenue requirement of \$10.366 million.<sup>89</sup> In approving this revenue requirement, the Commission finds it reasonable, for purposes of this proceeding, to allocate the costs of the CE-1 Solar Projects using the average and excess allocation methodology (Factor 1) and to allocate the

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<sup>88</sup> Ex. 46 (Lecky Rebuttal) at 4; Ex. 48 (Gaskill Rebuttal) at 12-13; Tr. 425-426.

<sup>89</sup> Ex. 46 (Lecky Rebuttal) at 4.

CE-1 Solar Projects' energy revenues from the PJM<sup>90</sup> wholesale market on an energy-only basis (Factor 3), which is consistent with how these respective costs and benefits have been historically allocated to customers.

Further in this regard, Staff stated that, should the Commission approve Staff's proposed framework for recovery of RPS-related costs in this case, the Company and other parties may wish to propose alternative class cost allocation methodologies in a future RPS case.<sup>91</sup> As such, Staff recommended the jurisdictional and class allocation methodologies approved in this case be considered placeholders until the Commission has an opportunity to evaluate alternative cost allocation methodologies in more detail in a future case.<sup>92</sup> Dominion did not object to this recommendation and the Committee agreed these issues should be deferred.<sup>93</sup> We agree and so direct that jurisdictional and class allocation shall be addressed in either Dominion's next annual RPS proceeding or, if the Commission so chooses, in a separate proceeding as initiated by the Commission.<sup>94</sup>

(iv) CE-1 Solar PPAs Prudence Determination

*Code of Virginia*

Code § 56-585.1:4 H states as follows:

A utility may elect to petition the Commission, outside of a triennial review proceeding conducted pursuant to § 56-585.1, at any time for a prudency determination with respect to the

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<sup>90</sup> PJM Interconnection, L.L.C.

<sup>91</sup> Ex. 24 (Ferrell) at 26 n.61.

<sup>92</sup> *Id.*

<sup>93</sup> Ex. 48 (Gaskill Rebuttal) at 13; Tr. 763-764, 825-826.

<sup>94</sup> If no such separate proceeding is initiated by the Commission prior to Dominion's next annual RPS proceeding, these allocation issues will be litigated in that RPS proceeding, and Dominion shall present alternative cost allocation methodologies for RPS-related resources as part of that petition.

construction or purchase by the utility of one or more solar or wind generation facilities located in the Commonwealth or off the Commonwealth's Atlantic Shoreline or the purchase by the utility of energy, capacity, and environmental attributes from solar or wind facilities owned by persons other than the utility. . . .

Pursuant to Code § 56-585.1:4 H, Dominion also seeks a prudence determination from the Commission with respect to six CE-1 Solar PPAs. The six CE-1 Solar PPAs consist of: (i) the approximately 20 MW (AC) Watlington Solar Project located in Halifax County; (ii) the approximately 20 MW (AC) Pleasant Hill Solar Project located in the City of Suffolk; (iii) the approximately 118 MW (AC) Chesapeake Solar Project located in the City of Chesapeake; (iv) the approximately 75 MW (AC) Wythe County Solar Project located in Wythe County; (v) the approximately 170 MW (AC) Cavalier Solar Project located in Isle of Wight County and Surry County; and (vi) the approximately 12.5 MW (AC) Rivanna Solar Project located in Albemarle County.<sup>95</sup>

Dominion asserts that the CE-1 Solar PPAs, like the CE-1 Solar Projects, are needed to comply with the VCEA, to serve customers' capacity and energy needs, and to comply with carbon dioxide reduction requirements.<sup>96</sup> We find that the CE-1 Solar PPAs are needed for the same reasons we found that the CE-1 Solar Projects are needed. For example, the record shows that the CE-1 Solar PPAs are expected to provide approximately 876 gigawatt-hours of energy production in the first full year of operation and will assist the Company in meeting its RPS

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<sup>95</sup> Ex. 2 (Petition) at 13.

<sup>96</sup> *See, e.g., id.* As previously stated, the record shows that the solar resources will assist the Company in complying with state carbon regulation, including the Commonwealth's participation in RGGI.

requirements.<sup>97</sup> We also find the costs of the CE-1 Solar PPAs to be reasonable and prudent.<sup>98</sup> Like the CE-1 Solar Projects, the CE-1 Solar PPAs were the product of the Company's 2019 Solar-Wind RFP, a competitive bidding process.<sup>99</sup>

In sum, the Commission finds that the proposed CE-1 Solar PPAs are prudent and should be approved.<sup>100</sup>

Accordingly, IT IS ORDERED THAT:

(1) The RPS Development Plan is approved as set forth herein.

(2) Subject to the conditions and requirements set forth in this Final Order, Dominion is granted approval and Certificate of Public Convenience and Necessity Nos. EG-DEV-CPX-2021-A, EG-DEV-JAM-2021-A, and EG-DEV-PIT-2021-A to construct and operate the Grassfield, Norge and Sycamore solar facilities, respectively, as set forth in this proceeding.

(3) The CE-1 Solar PPAs are found to be prudent as set forth herein.

(4) The Company's Petition for approval of a RAC, designated Rider CE, is approved as set forth herein.

(5) The Company forthwith shall file a revised Rider CE and supporting workpapers with the Clerk of the Commission and with the Commission's Divisions of Public Utility Regulation and Utility Accounting and Finance, as is necessary to comply with the directives set

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<sup>97</sup> Ex. 9 (Kelly Direct) at 5.

<sup>98</sup> In this regard, we further note that the CE-1 Solar PPAs are structured in a way that the Company only pays a per MWh cost based on the actual output of the facilities, which shields customers from performance risk associated with CE-1 Solar PPAs. *See, e.g.*, Ex. 33 (Carr) at 4; Tr. 381, 400.

<sup>99</sup> Ex. 6 (Avram Direct) at 23; Ex. 11 (McMillan Direct) at 4-7.

<sup>100</sup> Our approval and findings herein are limited to the CE-1 Solar PPAs. Exercise of a purchase option pursuant to any one of the approved CE-1 Solar PPAs would, of course, necessitate separate CPCN approval from the Commission. The Commission also took two objections under advisement during the evidentiary hearing. Tr. 313-314, 787. Based on the Commission's findings herein, both objections are now moot.

forth in this Final Order. The Clerk of the Commission shall retain such filings for public inspection in person and on the Commission's website: [scc.virginia.gov/pages/Case-Information](http://scc.virginia.gov/pages/Case-Information).

(6) Rider CE, as approved herein, shall be effective for usage on and after June 1, 2021.

(7) This case is dismissed.

A COPY hereof shall be sent electronically by the Clerk of the Commission to all persons on the official Service List in this matter. The Service List is available from the Clerk of the Commission.